

**TOWN OF CHEVERLY, MARYLAND**  
**Cheverly, Maryland**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2017**

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**BRIDGETT  
MOCK**  
& ASSOCIATES, P.A.  
Certified Public Accountants

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**TOWN OF CHEVERLY, MARYLAND**  
**For The Year Ended June 30, 2017**  
**TABLE OF CONTENTS**

	<u>Page</u> <u>Number</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 12

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position .....	13
Statement of Activities.....	14
Balance Sheet	
Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Position .....	16
Statement of Revenues, Expenditures and	
Changes in Fund Balance	
Governmental Funds.....	17
Reconciliation of the Governmental Funds Statement of	
Revenues, Expenditures and Changes in Fund Balance	
to the Statement of Activities.....	18
Statement of Net Position	
Proprietary Fund .....	19
Statement of Revenues, Expenditures, and	
Changes in Net Position	
Proprietary Fund .....	20
Statement of Cash Flows	
Proprietary Fund .....	21
Notes to Financial Statements.....	22 - 46

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues and Expenditures	
Budget and Actual - GAAP Basis	
General Fund.....	48
Schedule of Revenues	
Budget and Actual - GAAP Basis	
General Fund.....	49
Schedule of Expenditures	
Budget and Actual - GAAP Basis	
General Fund.....	50 - 53
Employees' Retirement and Pension System.....	54
Schedule of the Town's Proportionate Share of	
the Net Pension Liability.....	55
Notes to Required Supplementary Information .....	56

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members  
of the Town Council  
Town of Cheverly, Maryland  
Cheverly, Maryland

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund information of the Town of Cheverly, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major fund information of the Town of Cheverly, Maryland, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-12 and 48-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bridgett, Mack & Associates, P.A.*  
Waldorf, Maryland  
October 30, 2017

## **TOWN OF CHEVERLY, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Town of Cheverly, Maryland's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2017. Please read it with the Town's financial statements, which immediately follow this section.

The Town of Cheverly is located in Prince George's County, Maryland and is one of twenty-eight municipalities within the County. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Town of Cheverly's discussion and analysis of the financial results for the fiscal year ended June 30, 2017.

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### **FINANCIAL HIGHLIGHTS**

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- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,023,401 (net position). Of this amount, \$6,505,486 is net investment in capital assets, \$365,037 is restricted for use by the Fontana Fund, leaving an unrestricted net position of \$1,152,878.
- The Town's total net position increased by \$1,154,625. The governmental net position increased by \$961,392 and the business-type net position increased by \$193,233.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$3,030,089, an increase of \$532,082 in comparison to the prior year. The ending fund balance of \$3,030,089 includes \$2,357,998 that is available for spending at the Town's discretion (unassigned fund balance).
- The Town purchased \$608,351 in new capital assets during the year. The new capital assets included four police cars, a public works truck, police and public works equipment, and work done in Boyd Park.

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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GASB Statement 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

This discussion and analysis is intended to serve as an introduction to the Town of Cheverly's basic financial statements that were prepared using these reporting requirements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes, in this report, additional information to supplement the basic financial statements.

### **Government-Wide Financial Statements**

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting, at this level, uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities, which presents information about how the Town's net position changed during the past fiscal year. All changes in net position are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as uncollected income taxes and expensed but not paid interest.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. Business-type activities include rental property and Town improvement activities.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has two categories of funds:

- *Governmental Funds* - Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparison between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balance provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

The Town has only one governmental fund - the general fund

The Town adopts an annual budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Proprietary Funds* - Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

The Town maintains one enterprise fund that is used to report the same functions presented as business activities in the government-wide statements, which is the Fontana Fund.

## Notes To The Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Figure 1 shows how the various parts of this annual report are arranged and are related to one another.

**Figure 1**

### Organization and Flow of Financial Section Information

#### **Independent Auditor's Report**

Provides the opinion of the Independent Auditor on the fair presentation of the financial statements.

#### **Management's Discussion and Analysis**

This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview and analysis.

#### **Government-Wide Financial Statements**

Provides information on governmental and business type activities of the primary government.

#### **Fund Financial Statements**

Provides information on the financial position of specific funds of the primary government.

#### **Notes to Financial Statements**

Provides a summary of significant accounting policies and related disclosures.

#### **Other Required Information**

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### **Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The Town's net position at June 30, 2017 was \$8,023,401.



Of the Town's total net position, \$6,505,486 is reflected as net investment in capital assets which represents capital assets net of depreciation and unamortized debt used to acquire those assets. The Town uses these assets to provide services to the citizens of the Town. Consequently, these assets are not available for future spending.

### Summary of Net Position

The following summarizes the Town-wide net position at fiscal years ended June 30, 2017 and 2016.

**Table A-1**  
**Statement of Activities Summary**

	Government Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 3,431,689	\$ 2,924,083	\$ 381,959	\$ 362,416	\$ 3,813,648	\$ 3,286,499
Capital assets, net of depreciation	4,692,186	4,516,116	2,753,300	2,826,466	7,445,486	7,342,582
Total Assets	8,123,875	7,440,199	3,135,259	3,188,882	11,259,134	10,629,081
Deferred Outflow of Resources	705,368	548,108	-	-	705,368	548,108
Liabilities						
Current liabilities	233,670	253,210	16,922	13,781	250,592	266,991
Long-term liabilities	2,983,833	3,053,426	545,000	795,000	3,528,833	3,848,426
Total Liabilities	3,217,503	3,306,636	561,922	808,781	3,779,425	4,115,417
Deferred Inflow of Resources	161,676	192,999	-	-	161,676	192,999
Net Position						
Net investment in capital assets	4,297,186	4,203,078	2,208,300	2,031,466	6,505,486	6,234,544
Restricted	1,152,878	285,594	365,037	348,638	365,037	348,638
Unrestricted	1,152,878	285,594	-	-	1,152,878	285,594
Total Net Position	\$ 5,450,064	\$ 4,488,672	\$ 2,573,337	\$ 2,380,104	\$ 8,023,401	\$ 6,868,776

# Results Of Operations

For the fiscal year ended June 30, 2017 and 2016, the Town-wide results of operations were:

Table A-2  
Statement of Activities Summary

	Government Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,086,952	\$ 900,889	\$ 293,340	\$ 291,960	\$ 1,380,292	\$ 1,192,849
Operating grants	176,640	237,840	-	-	176,640	237,840
Total Program Revenues	1,263,592	1,138,729	293,340	291,960	1,556,932	1,430,689
General revenues					5,152,246	4,900,688
Taxes	5,152,246	4,900,688	-	-	12,204	3,089
Net investment income	12,204	3,089	-	-	83,952	27,357
Other	83,952	27,357	-	-	5,248,402	4,931,134
Total General Revenues	5,248,402	4,931,134	-	-	6,805,334	6,361,823
Total Revenues	6,511,994	6,069,863	293,340	291,960		
<b>Expenses</b>					1,017,221	1,021,635
General government	1,017,221	1,021,635	-	-	1,907,826	1,974,544
Public safety	1,907,826	1,974,544	-	-	2,603,390	2,556,874
Public works	2,603,390	2,556,874	-	-	22,165	28,133
Interest expense	22,165	28,133	-	-	100,107	112,421
Fontana fund	-	-	100,107	112,421	5,650,709	5,693,607
Total Expenses	5,550,602	5,581,186	100,107	112,421	1,154,625	1,668,210
Changes in Net Position	961,392	488,677	193,233	179,539	6,868,776	6,200,560
Net Position, beginning	4,488,672	3,999,995	2,380,104	2,200,565	\$ 8,023,401	\$ 6,868,777
Net Position, ending	\$ 5,450,064	\$ 4,488,672	\$ 2,573,337	\$ 2,380,104		

## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

### Analysis Of Financial Position

- *Governmental Funds* - During the fiscal year ended June 30, 2017, the Town of Cheverly's fund balance increased by \$532,082. A few of the significant factors affecting the general fund during the year are discussed below:

#### 1. Real Property Taxes Levied For General Operations

The rate has been established at \$0.56 per \$100 of assessed value on single family homes and an additional rate of \$0.66 per \$100 of assessed value on multi-family units.

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase From Prior Year</u>
2016 - 2017	\$ 3,320,884	4.05
2015 - 2016	\$ 3,191,538	7.92
2014 - 2015	\$ 2,957,209	1.36
2013 - 2014	\$ 2,917,443	0.75
2012 - 2013	\$ 2,895,864	(1.78)
2011 - 2012	\$ 2,948,462	4.02
2010 - 2011	\$ 2,834,518	5.86

#### 2. Tangible Personal Property Tax

The Town of Cheverly levies tangible personal property taxes on business entities within its corporate limits.

The rate has been established at \$1.10 per \$100 of assessed valuation.

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase From Prior Year</u>
2016 - 2017	\$ 525,550	(6.05)
2015 - 2016	\$ 559,400	74.99
2014 - 2015	\$ 319,679	(33.29)
2013 - 2014	\$ 479,199	6.61
2012 - 2013	\$ 449,492	21.94
2011 - 2012	\$ 368,629	(32.01)
2010 - 2011	\$ 542,200	(3.74)

#### 3. Income Tax

The Town of Cheverly receives a percentage of the income taxes collected by the State of Maryland. This amount fluctuates with the income earned by the Town of Cheverly residents. High unemployment and/or the aging of a community, such as Cheverly, can affect the amount of income revenue on an annual basis. In fiscal year 2017, income tax revenue has increased by \$175,923 from \$805,924 (2016) to \$981,847 (2017).

#### 4. Highway User Revenue

Highway user revenue is generated from the registration of vehicles within the corporate limits and the amount of linear roadway within the corporate limits. In fiscal year 2017, the Town's allocation decreased by \$1,552 from \$152,047 (2016) to \$150,495 (2017).

#### 5. Red Light Camera Revenue

Red light camera revenue is generated as penalties or fines from running red lights in the Town of Cheverly. The revenue has progressively increased since the inception of cameras. In fiscal year 2017, the revenue increased by \$34,759 from \$687,905 (2016) to \$722,664 (2017).

- *Proprietary Fund* - The Town of Cheverly's revenues from the Fontana Fund operations exceeded expenses by \$193,233 for the fiscal year ended June 30, 2017.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### General Fund Expenditures Budget Vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Actual & Original Budget Variance	Expenditures Actual & Final Budget Variance
2016 - 2017	\$ 6,102,907	\$ 6,377,167	\$ 6,018,363	\$ 84,544	\$ 358,804
2015 - 2016	\$ 5,312,539	\$ 5,368,839	\$ 5,192,145	\$ 120,394	\$ 176,694
2014 - 2015	\$ 5,841,068	\$ 6,183,168	\$ 5,869,701	\$ (28,633)	\$ 313,467
2013 - 2014	\$ 5,369,030	\$ 5,388,030	\$ 5,207,385	\$ 161,645	\$ 180,645
2012 - 2013	\$ 4,918,047	\$ 4,918,704	\$ 4,673,921	\$ 244,126	\$ 244,783

#### General Fund Revenues Budget Vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Actual & Original Budget Variance	Revenues Actual & Final Budget Variance
2016 - 2017	\$ 5,594,554	\$ 5,716,387	\$ 6,550,445	\$ 955,891	\$ 834,058
2015 - 2016	\$ 5,163,489	\$ 5,163,489	\$ 6,019,354	\$ 855,865	\$ 855,865
2014 - 2015	\$ 5,841,068	\$ 6,183,168	\$ 6,550,445	\$ 709,377	\$ 367,277
2013 - 2014	\$ 5,369,030	\$ 5,388,030	\$ 5,119,342	\$ (249,688)	\$ (268,688)
2012 - 2013	\$ 4,918,047	\$ 4,918,704	\$ 5,199,472	\$ 281,425	\$ 280,768

### Original Vs. Final Budget

The Town of Cheverly Town Charter requires that the Mayor and Town Council approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, when need arises, the Mayor and Town Council amends it's budget during the fiscal year. There were six budget adjustments made throughout the year by the Mayor and Town Council.

- The Town of Cheverly's final actual revenues differed from the final amended budget by \$834,058, a favorable variance. Actual local income tax revenue exceeded the budget by \$261,848. The Town received additional revenues this year due to the State's adjustment for local income taxes. The Red Light Camera Enforcement revenue exceeded the budget by \$322,664.
- The Town of Cheverly's final actual expenditures differed from the final amended budget by \$358,804, a favorable variance.

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### CAPITAL ASSET AND DEBT ADMINISTRATION

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#### Net Investment In Capital Position

The Town of Cheverly's net investment in capital assets in the governmental fund decreased during the fiscal year due to disposals and depreciation. The Town's most significant purchases in fiscal year 2017 consisted of a new police vehicle and security system, and Public Works Kubota loader. The Town's net investment in capital assets in the proprietary fund decreased during the fiscal year due to depreciation. This can be summarized as follows:

	Government Activities	Business-Type Activities
Beginning investment in capital assets, net at July 1, 2016	\$ 4,516,116	\$ 2,826,467
Acquisition of capital assets at cost, fiscal year June 30, 2017	608,351	-
Disposal of capital assets at original cost, fiscal year June 30, 2017	(221,373)	-
Accumulated depreciation of disposal capital assets, fiscal year June 30, 2017	187,540	-
Net depreciation expense for fiscal year June 30, 2017	(398,448)	(73,167)
Ending Investment In Capital Assets, Net As Of June 30, 2017	<u>\$ 4,692,186</u>	<u>\$ 2,753,300</u>

## Debt Administration

The Town of Cheverly's outstanding long-term obligations for the past two fiscal years are as follows:

	Government Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016
General obligations						
Bonds	\$ 395,000	\$ 485,000	\$ 545,000	\$ 795,000	\$ 940,000	\$ 1,280,000
Capital lease	-	16,533	-	-	-	16,533
Net pension liability	2,418,508	2,384,346	-	-	2,418,508	2,384,346
Accrued vacation leave	170,325	167,547	-	-	170,325	167,547
	<u>\$ 2,983,833</u>	<u>\$ 3,053,426</u>	<u>\$ 545,000</u>	<u>\$ 795,000</u>	<u>\$ 3,528,833</u>	<u>\$ 3,848,426</u>

The net pension liability began in fiscal year 2016 as a result of implementation of GASB Statement 68.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The tax rate will decrease for fiscal year 2018, for single family units from \$0.56 to \$0.54 and the multi-family units will remain the same at \$0.66.
- In FY 2018, a 1.7% cost of living adjustment was provided to all employees. A position in the Police Department remains frozen.
- In FY 2018, the Town Police Department Officers moved from the Maryland State Retirement System to the Maryland Law Enforcement Officers Pension System.

## CONTACTING THE TOWN OF CHEVERLY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Town's finances. If you have questions about this report or need additional information, contact the Town of Cheverly offices during normal business hours at 301-773-8360.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF NET POSITION**

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 299,272	\$ 270,074	\$ 569,346
Investments	2,500,322	376,369	2,876,691
Taxes receivable	205,206	-	205,206
Prepaid expenses	-	-	135,404
Due from other governments	135,404	-	27,001
Other receivables	27,001	-	-
Internal balances	264,484	(264,484)	-
Capital assets			2,507,515
Land	1,313,593	1,193,922	-
Other capital assets, net of depreciation	3,378,593	1,559,378	4,937,971
<b>TOTAL ASSETS</b>	<u>8,123,875</u>	<u>3,135,259</u>	<u>11,259,134</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			705,368
Pension related	705,368	-	-
<b>LIABILITIES</b>			175,671
Accounts payable	175,671	-	57,999
Accrued liabilities	57,999	-	16,922
Interest payable	-	16,922	-
Noncurrent liabilities			640,000
Due within one year	95,000	545,000	470,325
Due in more than one year	470,325	-	2,418,508
Net pension liability	2,418,508	-	3,779,425
<b>TOTAL LIABILITIES</b>	<u>3,217,503</u>	<u>561,922</u>	<u>3,779,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			161,676
Pension related	161,676	-	-
<b>NET POSITION</b>			
Net investment in capital assets	4,297,186	2,208,300	6,505,486
Restricted	-	365,037	365,037
Unrestricted	1,152,878	-	1,152,878
<b>TOTAL NET POSITION</b>	<u>\$ 5,450,064</u>	<u>\$ 2,573,337</u>	<u>\$ 8,023,401</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 1,017,221	\$ 277,678	\$ 53,138	\$ (686,405)	\$ -	\$ (686,405)
Public safety	1,907,826	785,831	104,662	(1,017,333)	-	(1,017,333)
Public works	2,603,390	23,443	18,840	(2,561,107)	-	(2,561,107)
Interest on long-term debt	22,165	-	-	(22,165)	-	(22,165)
Total Governmental Activities	5,550,602	1,086,952	176,640	(4,287,010)	-	(4,287,010)
Business-type activities						
Fontana fund	100,107	293,340	-	-	193,233	193,233
Total Primary Government	\$ 5,650,709	\$ 1,380,292	\$ 176,640	(4,287,010)	193,233	(4,093,777)
General revenues				3,841,816	-	3,841,816
Property taxes				981,847	-	981,847
Income tax				328,583	-	328,583
Other taxes				12,204	-	12,204
Investment income				83,952	-	83,952
Miscellaneous income				5,248,402	-	5,248,402
Total General Revenues				961,392	193,233	1,154,625
Change in net position				4,488,672	2,380,104	6,868,776
Net position - beginning				\$ 5,450,064	\$ 2,573,337	\$ 8,023,401
Net position - ending				\$ 5,450,064	\$ 2,573,337	\$ 8,023,401

The accompanying notes are an integral part of these financial statements.



**TOWN OF CHEVERLY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 299,272
Investments	2,500,322
Taxes receivable	205,206
Due from other governments	135,404
Other receivables	27,001
Due from other funds	264,484
Total Assets	<u>3,431,689</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Total Assets and Deferred Outflows of Resources	<u>\$ 3,431,689</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 175,671
Accrued expenditures	55,967
Total Liabilities	<u>231,638</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable revenue - property taxes	169,962
<b>FUND BALANCES</b>	
Assigned for:	
Public safety	30,307
Subsequent years expenditures	641,784
Unassigned	2,357,998
Total Fund Balances	<u>3,030,089</u>
Total Liabilities, Deferred Inflow of Resources, And Fund Balances	<u>\$ 3,431,689</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

\$ 3,030,089

Amounts reported in governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of these assets is \$9,030,561 and the accumulated depreciation is (\$4,338,375).

4,692,186

Payments made for the pension systems reduce the long-term liability on Statement of Net Position but not in Fund Statements. This is the amount of deferred outflow of resources.

705,368

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(2,983,833)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.

(2,032)

Deferred inflows of resources related to pension liability and earnings on pension plan investments are not reported in fund financial statements.

(161,676)

Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred inflow of resources.

169,962

\$ 5,450,064

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2017**

	General Fund
REVENUES	\$ 5,156,863
Taxes	277,677
Licenses and permits	176,640
Intergovernmental	23,443
Service charges	785,832
Fines and forfeitures	117,786
Miscellaneous	12,204
Investment income	6,550,445
Total Revenues	
EXPENDITURES	
Current	981,441
General government	2,174,747
Public safety	2,733,795
Public works	
Debt service	106,533
Principal	21,847
Interest	6,018,363
Total Expenditures	
NET CHANGE IN FUND BALANCE	532,082
FUND BALANCE - BEGINNING	2,498,007
FUND BALANCE - ENDING	\$ 3,030,089

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 532,082
--	------------

Amounts reported for governmental activities in the  
Statement of activities are different because:

Capital outlays are reported in governmental funds as  
expenditures. However, in the statement of activities,  
the cost of those assets is allocated over their estimated  
useful lives as depreciation expense in the current period.  
This is the amount capital outlay (\$608,351) exceeds  
depreciation expense (\$398,448).

209,903

The net effect of various transactions  
involving capital assets (i.e., sales, trade-ins,  
disposals) is to decrease net position.

(33,833)

Long-term debt repayments are expenditures in the  
governmental funds but the repayment reduces long-  
term liabilities in the Statement of Net Position. This  
is the amount of long-term debt repayments.

106,533

Some expenses in the statement of activities  
do not require the use of current financial  
resources and, therefore, are not reported  
as an expenditure in the governmental funds.

Change in accrued interest

(318)

Change in compensated absences

(2,778)

Changes in pension costs

154,424

151,328

Revenues in the statement of activities that do not  
provide current financial resources are not  
reported as revenues in the funds.

(4,621)

**CHANGE IN NET POSITION OF  
GOVERNMENTAL ACTIVITIES**

\$ 961,392

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2017**

	Enterprise Fund Fontana Fund
<b>ASSETS</b>	
Current assets	\$ 270,074
Cash	376,369
Investments	<u>646,443</u>
Total Current Assets	
Noncurrent assets	
Capital assets	1,193,922
Land	1,559,378
Other capital assets, net of depreciation	<u>2,753,300</u>
Total Noncurrent Assets	
Total Assets	<u>\$ 3,399,743</u>
<b>LIABILITIES</b>	
Current liabilities	\$ 16,922
Interest payable	264,484
Due to other funds	545,000
Bonds payable	
Total Liabilities	<u>\$ 826,406</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,208,300
Restricted	<u>365,037</u>
Total Net Position	<u>\$ 2,573,337</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For The Year Ended June 30, 2017**

	Enterprise Fund
	Fontana
	Fund
OPERATING REVENUES	
Lease and rental income	\$ 293,340
OPERATING EXPENSES	
Depreciation and amortization	73,167
Net Operating Income	220,173
NONOPERATING REVENUES (EXPENSES)	
Investment income	8,125
Investment expense	(34,840)
Interest expense on bonds	(225)
Other investment expenses	(26,940)
Net Nonoperating Revenues (Expenses)	193,233
CHANGE IN NET POSITION	2,380,104
TOTAL NET POSITION - BEGINNING	\$ 2,573,337
TOTAL NET POSITION - ENDING	

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For The Year Ended June 30, 2017**

	Enterprise Fund Fontana Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from rental income	\$ 293,340
<b>Net Cash Provided By Operating Activities</b>	293,340
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal repayments on bonds	(250,000)
Interest paid on bonds	(34,840)
<b>Net Cash Used For Capital And Related Financing Activities</b>	(284,840)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net financing activity	(10,827)
<b>Net Cash Used For Financing Activities</b>	(10,827)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,327)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	272,401
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 270,074
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net operating income	\$ 220,173
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation and amortization	73,167
<b>Net Cash Provided By Operating Activities</b>	\$ 293,340

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. A summary of significant accounting policies followed by the Town are presented below.

**A. Financial Reporting Entity**

The Town of Cheverly, Maryland (the Town) was established on April 18, 1931 to serve the needs of the citizens of the Cheverly area. Its major sources of revenue are derived from real estate taxes, income taxes, and usage taxes. The Town provides its citizens with the following services: public safety, sanitation, highways and streets, culture-recreation, public improvements, and general administration services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and Town Council of the Town of Cheverly, the primary government, and its proprietary fund.

The Town of Cheverly has no separate component units.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Governmental activities, which normally are supported by taxes and the Town's general revenues, are reported separately from business-type activities, which rely on fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.



**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued)**

**Fund Financial Statements**

Separate financial statements are provided for governmental and proprietary funds. The Town has a general fund and an enterprise fund.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they both become measurable and available). Measurable means the amount of the transactions can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues available if they are collected within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues, which are accrued, include federal and state grants, property taxes, franchise taxes, licenses, interest charges, and any charges for services. Other amounts, which are collected and held in the Town's name by other governmental agencies at the end of a fiscal year, are also recognized. Revenues that are not susceptible to accrual include certain licenses, fines, permits, and penalties since they are not measurable until received in cash.

The Town has only one governmental fund, the general fund.

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

The Town has one proprietary fund.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Town:

The Fontana fund is an enterprise fund used to account for all activity associated with the Town's purchase, improvement, sale, and operation of leased rental property and investment property. All assets and liabilities associated with the enterprise fund are included on its balance sheet.

D. Budgets

Formal budgetary accounting is employed as a management control for the General Fund. The Town Administrator and the Mayor submit an annual budget to the Town Council in accordance with the Town's Charter. The budget is prepared in accordance with the modified accrual basis. In June, the Town Council adopts the annual budget for the Town's General fund. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenue and appropriations. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. Expenditures may not exceed the appropriations at the department level.

E. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, Net Position or Equity**

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as investments with an original maturity date within three months. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland.

**Inventories**

The Town's general fund inventories are not significant and, therefore, are not reported on its balance sheet.

**Interfund Transactions**

Activities between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the Town as assets with an original, individual cost of \$1,000 or more and an estimated useful life in excess of one year. These assets are stated at cost or estimated cost if historical records are not available. Donated fixed assets are recorded at estimated fair market value on the date of donation.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, Net Position or Equity (continued)**

**Capital Assets (continued)**

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures, which materially increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of a fixed asset, the cost and/or estimated value is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

• Buildings	40 - 50 years
• Improvements	15 - 50 years
• Machinery and equipment	3 - 10 years
• Vehicles	5 - 10 years
• Computers	3 - 5 years
• Infrastructure	20 - 50 years

**Deferred Outflows/Inflows of Resources**

The statement of financial position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period.

The statement of financial position reports a separate section of deferred inflows of resources which represents an acquisition of net position that applies to a future period and is not recognized an inflow of resources or revenue until that time.

**Compensated Absences**

The Town allows its eligible employees to accrue up to 240 hours (30 days) of vacation leave. Upon employee termination, the Town pays up to the 240-hour maximum for accrued vacation time. All other amounts, including accrued sick leave, are forfeited.

The Town pays all outstanding leave up to the maximum at separation. A liability for vacation pay is recorded in governmental fund financial statements only if it has matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, Net Position or Equity (continued)**

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund-types statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund-type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses and the amount of principal repayment as an expenditure.

**Pensions**

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 7 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the net position reflected in the actuarial report provided by the Maryland State Retirement and Pension System (The System). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For the purposes of measuring the Town's net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, have been determined on the same basis as they are reported by The System.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, Net Position or Equity (continued)**

**Net Position/Equity**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted net position* - consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - all other net position that do not meet the definition of restricted or investment in capital assets, net of related debt.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted first then unrestricted as needed.

Proprietary fund equity is classified the same as in the government-wide statements.

In the fund financial statements, equity is classified as fund balance for governmental funds. Further classifications are as follows:

- *Nonspendable fund balance* - Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* - Amounts constrained to specific purposes by their creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by the Town Charter, Town Code, or enabling legislation.
- *Committed fund balance* - Amounts constrained to specific purposes determined by a formal action of the Town Council (ordinance).
- *Assigned fund balance* - Amounts the Town *intends* to use for a specific purpose; intent can be expressed by the Town Council.
- *Unassigned fund balance* - Amounts that are available for any purpose; these amounts are reported only in the general fund.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, Net Position or Equity (continued)**

**Net Position/Equity (continued)**

The Town considers restricted fund balances to be spent for governmental activities first when both restricted and unrestricted are available. The Town also considers committed fund balances to be spent first, assigned balances to be spent second, and unassigned fund balances to be spent last when other unrestricted fund balance classifications are available for use.

**G. Revenues, Expenditures, and Expenses**

Property tax and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary fund report expenses relating to use of economic resources. Proprietary funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 - CASH AND INVESTMENTS**

**Deposits**

At year end, the carrying amount of the Town deposits was \$569,346 and the bank balance was \$640,548. Of the bank balance, \$500,000 was covered by Federal Depository Insurance and \$140,548 was covered by collateral held in the pledging bank's trust department in the Town's name. The Town, as of June 30, 2017, was not exposed to custodial risk, which is defined as "the risk that a government will not be able to recover deposits if the depository financial institution fails."

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS**

**Investments**

By statute, the Town is authorized to invest in obligations of the U.S. government and agencies, mutual funds which invest in U.S. government securities, bank certificates of deposit or in repurchase agreements fully collateralized by U.S. government and agency securities, banker's acceptances and the Maryland Local Government Investment Pool (Pool).

As of June 30, 2017, the Town had the following investments:

Investment Type	Fair Value
Maryland Local Government Investment Pool	\$ 2,500,322
Money Market Mutual Funds	328,993
Equities	47,376
	<u>\$ 2,876,691</u>

*Investment Rate Risk*

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities to ten years in order to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2017, met the Town investment policy regarding investment rate risk. Investment income as of June 30, 2017, totaled \$12,204.

*Credit Risk*

As of June 30, 2017, the Maryland Local Investment Pool was rated AAAM by Standard & Poor's. Regulatory oversight for the local government investment pool rests with the Maryland State Treasurer's Office and the fair value of the pool is the same as the value of the pool shares. The Pool was established under Article 95, Section 220 of the Annotated Code of Maryland and is under the administrative control of the State Treasurer. PNC Bank is currently contracted to operate the Pool and may invest in any instrument permitted by Section 6-222 of the State Finance and Procurement Article. The Town's fair value position in the Pool is the same as the value of the Pool shares.



**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS (continued)**

*Concentration of Credit Risk*

The Town's policy states that the Town will diversify its investments by security type and institution and no more than 50% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution. At year end, the Town has more than 50% invested at a single institution.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the Town were not exposed to custodial credit risk at June 30, 2017.

*Foreign Currency Risk*

The Town's investment policy does not allow for investments denominated in foreign currencies.

**NOTE 3 - DUE TO AND FROM OTHER FUNDS**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

As of June 30, 2017, interfund receivables and payables resulting from various interfund transactions were as follows:

	Due From Other Funds	Due To Other funds
General fund	\$ 264,484	\$ -
Enterprise fund	-	264,484
Total	<u>\$ 264,484</u>	<u>\$ 264,484</u>

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

**Governmental Activities**

	Capital Assets At July 1, 2016	Additions	Adjustments & Disposals	Capital Assets At June 30, 2017
Capital assets, not depreciated				
Land	\$ 1,281,517	\$ -	\$ -	\$ 1,281,517
Construction in progress	-	32,076	-	32,076
Total Capital Assets, Not Depreciated	1,281,517	32,076	-	1,313,593
Capital assets depreciated				
Land improvements	578,957	42,869	-	621,826
Infrastructure	1,207,042	-	-	1,207,042
Buildings and improvements	2,610,363	-	-	2,610,363
Vehicles	1,904,658	257,948	146,212	2,016,394
Machinery and equipment	1,061,046	275,458	75,161	1,261,343
Total Capital Assets, Depreciated	7,362,066	576,275	221,373	7,716,968
Less accumulated depreciation for				
Land improvements	399,152	26,452	-	425,604
Infrastructure	444,812	55,955	-	500,767
Buildings and improvements	1,214,827	60,850	-	1,275,677
Vehicles	1,197,053	182,086	112,696	1,266,443
Machinery and equipment	871,623	73,105	74,844	869,884
Total Accumulated Depreciation	4,127,467	398,448	187,540	4,338,375
Total Capital Assets, Depreciated, Net	3,234,599	177,827	33,833	3,378,593
Government Activities Capital Assets, Net	\$ 4,516,116	\$ 209,903	\$ 33,833	\$ 4,692,186

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 4 - CAPITAL ASSETS (continued)**

**Business-Type Activities**

	Capital Assets At July 1, 2016	Additions	Disposals	Capital Assets At June 30, 2017
Capital assets, not depreciated				
Land	\$ 1,193,922	\$ -	\$ -	\$ 1,193,922
Total Capital Assets, Not Depreciated	1,193,922	-	-	1,193,922
Capital assets depreciated				
Buildings and improvements	2,878,572	-	-	2,878,572
Capitalized interest	48,097	-	-	48,097
Total Capital Assets, Depreciated	2,926,669	-	-	2,926,669
Less accumulated depreciation for				
Buildings and improvements	1,272,781	71,965	-	1,344,746
Capitalized interest	21,343	1,202	-	22,545
Total Accumulated Depreciation	1,294,124	73,167	-	1,367,291
Total Capital Assets, Depreciated, Net	1,632,545	(73,167)	-	1,559,378
Business-Type Activities				
Capital Assets, Net	\$ 2,826,467	\$ (73,167)	\$ -	\$ 2,753,300

Depreciation expense was charged to functions/programs of the Town as follows:

Government activities	
General government	\$ 55,680
Public safety	165,378
Public works	177,390
Total Depreciation Expense - Governmental Activities	\$ 398,448
Business-type activities	
Rental operations	\$ 73,167

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 5 - PROPERTY TAXES**

Real estate and personal property taxes are levied based on the State of Maryland's assessments. The tax rate for the year ended June 30, 2017 was \$0.56 per \$100 of assessed value for single family units and \$0.66 per \$100 of assessed value for multi-family units. For personal property the rate is \$1.10 per \$100 of the assessed value.

Real estate taxes are levied on July 1, and are payable by September 30 of the same year. After September 30, the Town charges both penalties and interest upon the unpaid balance. If the taxes remain unpaid, the property is placed with Prince George's County for tax sale the following May.

Personal property taxes are levied throughout the year when the assessment is received from the State of Maryland. The taxes are payable within 30 days after levy. Penalties and interest are charged on any unpaid taxes after the 30 days have expired.

At June 30, 2017, the property tax receivable consists of:

Real estate taxes	\$ 23,248
Personal property taxes	181,958
Total	<u>\$ 205,206</u>

**NOTE 6 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2017, the Due from Other Governments consists of the following:

State of Maryland	
Highway user tax	\$ 9,256
Income tax	82,630
Prince George's County	
Hotel/motel tax	43,518
Total Due From Other Governments	<u>\$ 135,404</u>

**NOTE 7 - CAPITAL LEASE**

In fiscal year 2015, the Town entered into a lease-purchase agreement with Ford Motor Credit to acquire a 2014 Ford Police Interceptor utility vehicle. The terms of the lease require a \$17,525 payment at the lease commencement date of December 10, 2014, with two additional payments annually of \$17,525 including interest at a rate of 6.00%. The final payment on this lease was made in Fiscal Year 2017.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 8 - LONG-TERM DEBT**

**Governmental Activities**

On May 31, 2006, the Town, following proper authorization and approval, issued a general obligation bond in the amount of \$1,200,000. The proceeds of this bond were used to put an addition on the Town's municipal building for the police department. The bond is due in annual principal installments beginning May 31, 2007 and ending May 31, 2021. Interest is due semi-annually at a rate of 4.3%. Debt service payments are appropriated from general fund resources. General obligation bonds are direct obligations and pledged on full faith and credit of the Town.

Annual debt service requirements to maturity for the general obligation bond are as follows at June 30, 2017:

Years Ending June 30,	Principal	Interest
2018	\$ 95,000	\$ 16,985
2019	95,000	12,900
2020	100,000	8,815
2021	105,000	4,515
	<u>\$ 395,000</u>	<u>\$ 43,215</u>

The following is a summary of changes in general long-term debt:

Fiscal Year	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	One Year
General obligation bonds	\$ 485,000	\$ -	\$ 90,000	\$ 395,000	\$ 95,000
Capital lease	16,533		16,533		
Net pension liability	2,384,346	34,162		2,418,508	
Accrued vacation	167,547	2,778		170,325	
	<u>\$ 3,053,426</u>	<u>\$ 36,940</u>	<u>\$ 106,533</u>	<u>\$ 2,983,833</u>	<u>\$ 95,000</u>

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 8 - LONG-TERM DEBT (continued)**

**Business-Type Activities**

On December 18, 1997, the Town, following proper authorization and approval, issued general obligation bonds in the amount of \$3,475,000. The proceeds of these bonds were used for the purchase and renovation of an improved parcel of land within the Town's legal boundaries. The bonds carry varying interest rates ranging from 4.4% to 5.2%. There are varying maturities and interest payments that began in March 1998 and continue through September 2018. The bonds may not be called, in whole or part, prior to September 2007. For the year ended June 30, 2017, \$250,000 of principal and \$34,840 of interest was paid on these bonds.

The required payments on the bonds are as follows:

Fiscal Year Ending	Principal Payments	Interest Payments	Total
June 30, 2018	\$ 265,000	\$ 21,450	\$ 286,450
June 30, 2019	280,000	7,280	287,280
	<u>\$ 545,000</u>	<u>\$ 28,730</u>	<u>\$ 573,730</u>

The following is a summary of changes in business-type long-term debt:

Fiscal Year	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	One Year
Bonds payable	\$ 795,000	\$ -	\$ 250,000	\$ 545,000	\$ 545,000
	<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 545,000</u>	<u>\$ 545,000</u>

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 9 - OTHER PROPRIETARY FUND DISCLOSURES**

**Land, Buildings and Improvements**

In December 1997, the Town purchased improved real estate (2627 Pepsi Place, Cheverly, Maryland) for a price of approximately \$550,000. A portion of the proceeds from the issuance of the general obligation bonds (see discussion above) were used to purchase and renovate this property. In March 2000, an additional parcel of land was added to this property at a cost of \$450,000. The proceeds of the March 30, 2000 general obligation bonds were used for this purchase. This property is currently being leased. See Lease Agreement note below for additional information.

On October 25, 2004, the Town purchased a parcel of land and building within the Town's boundaries for \$235,298. The building has been demolished. In June 2006, an agreement was entered into with a third party to purchase this property. A monthly payment of \$700 has been paid through August 2015 when the contract was cancelled.

**Capitalized Interest**

In accordance with generally accepted accounting principles, certain interest costs are capitalized by proprietary funds when debt proceeds are used to finance the construction of assets. Any interest earned on the proceeds of tax-exempt borrowing offset the interest costs in determining the amount to be capitalized.

**Lease Agreement**

Concurrent with the issuance of the general obligation bonds, the Town entered into a long-term lease with Fontana Lithograph, Inc., for the use of land and improvements at 2627 Pepsi Place, Cheverly, Maryland. (See Land, Building, and Improvements note above.)

The lease commenced on October 1, 1998. The lease term is for 20 years at a minimum rate sufficient to meet the annual principal and interest payments on the general obligation bonds discussed above. After 10 years, the tenant has the right to purchase the property for an amount equal to the outstanding principal, interest, and any redemption premium on the Government Obligations Bonds to maturity or the first available redemption date. The tenant is responsible for all utilities, insurance, and legal fees associated with the bond issue discussed above. The lease was amended in March of 2000 to account for the additional land that is now included in the leased area. For the fiscal year ended June 30, 2017, there was \$293,340 of rental income.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 10 - DEFERRED COMPENSATION PLAN**

The Town offers a Deferred Compensation Plan to its employees in accordance with Section 457 of the Internal Revenue Code. The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. ICMA Deferred Compensation Plan manages the investments and has the responsibility for investing the deferred monies, maintaining detailed accounting records for both the individual employee, and the Town, and disbursing funds to plan participants. The plan assets, including all income earned and rights purchased, are the exclusive property of the participants and are not assets of the Town.

**NOTE 11 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND**

**Plan Description**

The employees of the Town are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Town are members of the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. This report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling (410)625-5555, or on the website: <http://www.sra.state.md.us>.

The Employees' Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System. The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. As of July 1, 1999, and retroactively to July 1, 1998, the Town elected to participate in the Contributory Pension System for all service earned on or after July 1, 1998.



**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Benefits Provided**

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees' Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' APC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2014, are as follows:

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals  $1/55$  (1.8%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 – STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Benefits Provided (continued)**

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's APC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's APC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011, and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011, and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

**Contributions**

The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the System. Rates for required contributions by active members are established by law. Members of the Employees' Retirement System are required to contribute 7% or 5% of earnable compensation depending upon the retirement option selected. Members of the Employees' Pension System, Alternate Contributory Pension Selection (ACPS), are required to contribute 7%, of earnable compensation.

However, members of the Employees' Retirement System who are employed by a participating governmental unit that elected to remain in the Contributory Pension System are required to contribute 2% of earnable compensation. The members of the Employees' Retirement System who are employed by participating governmental units who elected to remain in the Non-Contributory Pension System are only required to contribute 5% of earnable compensation in excess of the social security taxable wage base.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Contributions (continued)**

Contribution rates for employer and other "non-employer" contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The unfunded actuarial liability was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amortized over a single closed 25-year period.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Town reported a liability of \$2,418,508 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's portion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. At June 30, 2016, the Town's proportion share was .0102505%.

For the year ended June 30, 2017, the Town recognized pension expense of \$34,162. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 – STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,562
Changes in assumptions	107,550	-
Net difference between projected and actual earnings on retirement plan investments	397,406	96,114
Town contributions subsequent to the measurement date	200,412	-
	<u>\$ 705,368</u>	<u>\$ 161,676</u>

**Deferred Financing Inflows and Outflows**

Deferred financing inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience and net differences in the projected and actual investing earnings. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2016 and 2015 is being amortized over a closed five year period. The following table shows the amortization of these balances:

Year End June 30,	2016 Balance Amortization		2015 Balance Amortization		2014 Balance Amortization	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflow
	Net Difference in Investment Earnings	Actual and Expected Experience	Net Difference in Investment Earnings	Change in Assumptions	Change in Assumptions	Net Difference in Investment Earnings
2018	\$ 59,975	\$ 5,447	\$ 52,503	\$ 24,508	\$ 9,766	\$ 48,05
2019	59,975	5,447	52,503	24,508	9,766	48,05
2020	59,974	5,447	52,502	24,508	9,766	
2021	59,974	5,447	-	21,323	9,765	
2022	-	4,711	-	-	-	-
Total	<u>\$ 239,898</u>	<u>\$ 26,499</u>	<u>\$ 157,508</u>	<u>\$ 94,847</u>	<u>\$ 39,063</u>	<u>\$ 12,703</u>

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 – STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Actuarial Assumptions**

Actuarial	Entry age normal.
Amortization Method	Level percentage of payroll, closed.
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20%, including wage inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables

**Investments**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	9%	3.70%
Total	100%	

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Investments (continued)**

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A single rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 11 - STATE RETIREMENT AND PENSION SYSTEMS OF MARYLAND (continued)**

**Sensitivity of the Net Pension Liability (continued)**

System	1% Decrease to 6.55%	Current Discount 7.55%	1% Increase to 8.55%
System net pension liability	\$ 32,408,442,000	\$ 23,594,027,000	\$ 16,259,112,000
Town's proportionate share of the net pension liability	\$ 3,322,027	\$ 2,418,508	\$ 1,666,640

**NOTE 12 - RISK AND UNCERTAINTIES**

The Town is a member in the Local Government Insurance Trust. The Trust is a consortium of Maryland local governments created to provide an alternative to the diminishing availability of insurance coverages to municipal governments and the increasing premium costs associated with those coverages. The Trust is owned and directed by the local governments that subscribe to its insurance coverages. If the Trust were to experience large losses, its reserves could be depleted, thus exposing the Town to uninsured risks. No insurance settlement has exceeded the coverages to date.

**NOTE 13 - CONTINGENT LIABILITIES**

The Town is a defendant in various lawsuits. In the opinion of Town management, such litigation will not have a material adverse effect on the financial position of the Town.

The Town receives federal and state grants through Maryland and Prince George's County for specific purposes. These grants are subject to review and audit by various cognizant agencies. Such audits could result in a request for reimbursement if any expenditures are disallowed under the terms and conditions of the granting authority, and the grant contracts. In the opinion of Town Management, such disallowances, if they should occur, would not be significant.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**NOTE 14 -POST RETIREMENT BENEFITS**

The Town does not provide and, therefore, has no liability for post retirement benefits.

**NOTE 15 -SUBSEQUENT EVENTS**

The Town evaluated subsequent events through October 30, 2017, which represents the date the financial statements were available to be issued. Subsequent to year end, the Town joined the Maryland State Pension System for Police Officers. Also, after year end, the Town's lease with Fontana Lithograph concluded and the tenant purchased the building from the Town per the lease agreement.



**TOWN OF CHEVERLY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2017**

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**BRIDGETT  
MOCK**  
& ASSOCIATES, P.A.  
Certified Public Accountants

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**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**  
**For The Year Ended June 30, 2017**

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 4,797,954	\$ 4,797,954	\$ 5,156,863	\$ 358,909
Licenses and permits	193,000	193,000	277,677	84,677
Intergovernmental	152,200	274,033	176,640	(97,393)
Service charges	8,250	8,250	23,443	15,193
Fines and forfeitures	413,000	413,000	785,832	372,832
Miscellaneous	29,550	29,550	117,786	88,236
Investment income	600	600	12,204	11,604
<b>Total Revenues</b>	<b>5,594,554</b>	<b>5,716,387</b>	<b>6,550,445</b>	<b>834,058</b>
<b>EXPENDITURES</b>				
General government	1,012,287	1,016,689	1,092,296	(75,607)
Public safety	2,056,117	2,189,642	2,174,747	14,895
Public works	3,034,503	3,170,836	2,751,320	419,516
<b>Total Expenditures</b>	<b>6,102,907</b>	<b>6,377,167</b>	<b>6,018,363</b>	<b>358,804</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ (508,353)</b>	<b>\$ (660,780)</b>	<b>\$ 532,082</b>	<b>\$ 1,192,862</b>

**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**  
**For The Year Ended June 30, 2017**

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Taxes	\$ 3,336,614	\$ 3,336,614	\$ 3,320,884	\$ (15,730)
Real estate	119,000	119,000	120,506	1,506
Personal property - utilities	380,000	380,000	405,044	25,044
Personal property - business	2,000	2,000	19,605	17,605
Penalties and interest	720,000	720,000	981,848	261,848
Local income	80,000	80,000	133,895	53,895
Hotel / motel tax	159,000	159,000	150,495	(8,505)
Highway users tax	-	-	23,220	23,220
Liens	1,340	1,340	1,366	26
Taxes - bank stock tax	4,797,954	4,797,954	5,156,863	358,909
Licenses and permits	100	100	50	(50)
Traders licenses	2,000	2,000	2,239	239
Building permits	700	700	2,318	1,618
Residential business licenses	59,200	59,200	113,650	54,450
Rental housing licenses	131,000	131,000	159,420	28,420
Cable television franchise fees	193,000	193,000	277,677	84,677
Intergovernmental	90,000	90,000	102,139	12,139
Police protection	33,500	33,500	23,138	(10,362)
Program open space	18,700	18,700	18,840	140
Disposal fee rebate	10,000	10,000	2,523	(7,477)
Highway Safety Grant	-	121,833	30,000	(91,833)
Chesapeake Bay Grant	152,200	274,033	176,640	(97,393)
Service charges	350	350	1,231	881
Residential parking stickers	2,000	2,000	1,985	(15)
Special trash / appliance pickups	1,000	1,000	14,728	13,728
Lot maintenance (private property)	1,400	1,400	2,269	869
Park pavilion reservation fees	3,500	3,500	3,230	(270)
Mulch delivery fee / sign fees	8,250	8,250	23,443	15,193
Fines and forfeitures	4,000	4,000	24,415	20,415
Parking tickets	500	500	5,348	4,848
Municipal infractions	400,000	400,000	722,664	322,664
Red-light camera enforcement	8,500	8,500	33,405	24,905
Speed camera enforcement	413,000	413,000	785,832	372,832
Miscellaneous	21,000	21,000	16,359	(4,641)
Sale of fixed assets	7,000	7,000	10,878	3,878
Miscellaneous	-	-	19,698	19,698
Other police revenue	1,500	1,500	1,626	126
Vending machine and pay phone	50	50	2,475	2,425
Leaf bag sales	-	-	66,750	66,750
Insurance proceeds revenue	29,550	29,550	117,786	88,236
Investment income	600	600	12,204	11,604
Total Revenues	\$ 5,594,554	\$ 5,716,387	\$ 6,550,445	\$ 834,058

**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**  
**For The Year Ended June 30, 2017**

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
General government				
Mayor and council				
Personnel	\$ 28,000	\$ 28,000	\$ 18,000	\$ 10,000
Salaries and wages	2,500	2,500	2,000	500
Retirement	1,400	1,400	1,194	206
Social security	2,000	2,000	1,500	500
Official expenses	13,000	13,000	16,089	(3,089)
Travel and training	46,900	46,900	38,783	8,117
Total Personnel				
Operating	11,300	11,300	11,958	(658)
Public officials liability insurance	2,000	2,000	1,863	137
Materials and supplies	20,000	20,000	21,265	(1,265)
Newsletter	15,000	15,000	12,192	2,808
Public information	26,000	26,000	23,290	2,710
Annexation rebate	8,900	9,702	9,507	195
Public officials association	2,000	2,000	1,305	695
Election expenses	85,200	86,002	81,380	4,622
Total Operating	132,100	132,902	120,163	12,739
Total Mayor And Council				
Administration				
Personnel	231,127	231,127	191,618	39,509
Salaries and wages	38,000	38,000	18,038	19,962
Retirement	20,000	20,000	7,891	12,109
Workmen's compensation	20,000	20,000	17,792	2,208
Social security	30,000	30,000	22,286	7,714
Hospitalization	1,700	1,700	3,172	(1,472)
Life insurance	150	150	55	95
Unemployment	340,977	340,977	260,852	80,125
Total Personnel				
Operating	2,000	2,000	185	1,815
Travel and training	3,000	3,000	3,000	-
Auto insurance	7,000	7,000	4,661	2,339
Materials, supplies & equipment	2,000	2,000	997	1,003
Miscellaneous	3,300	3,300	40	3,260
Bank card fees	1,100	1,100	1,267	(167)
Subscriptions and memberships	1,500	1,500	1,317	183
Recruitment and advertising	2,000	2,000	2,713	(713)
Employee assistance program	6,000	6,000	3,322	2,678
Telephone	1,700	1,700	3,405	(1,705)
Office equipment maintenance	7,000	7,000	5,797	1,203
Postage	36,600	36,600	26,704	9,896
Total Operating	377,577	377,577	287,556	90,021
Total Administration				
Appointed committees				
Operating	15,000	15,000	12,747	2,253
Cheverly day committee	500	500		500
Planning board				

**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**

(continued)

For The Year Ended June 30, 2017

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Parks and grounds committee	500	500	3,000	(2,500)
Youth program	1,000	1,000	-	1,000
Recreation council	3,000	3,000	-	3,000
CPACT	3,000	3,000	4,255	(1,255)
Grants	10,000	10,000	7,090	2,910
Technology & communication committee	-	-	3,000	(3,000)
Composting bins	500	500	-	500
Total Appointed Committees	33,500	33,500	30,092	3,408
Debt service				
Operating				
Police station building	109,510	109,510	110,855	(1,345)
Total Debt Service	109,510	109,510	110,855	(1,345)
Miscellaneous activities/divisions				
Auditors	19,000	19,000	24,655	(5,655)
Legal counsel-retainer fees	50,000	50,000	11,402	38,598
Legal counsel-other	5,000	5,000	17,336	(12,336)
Computer support	30,000	30,000	34,798	(4,798)
Landscaping/holiday decorating contr.	8,000	8,000	6,730	1,270
Municipal building supplies & maint.	26,000	29,600	48,070	(18,470)
Municipal building utilities	30,000	30,000	31,369	(1,369)
Municipal building liability ins.	5,000	5,000	5,228	(228)
Vending machine	1,700	1,700	2,076	(376)
Red light camera contractor	160,000	160,000	319,439	(159,439)
Speed camera contractor	3,400	3,400	21,304	(17,904)
Materials and supplies	200	200	7	193
Professional services	15,000	15,000	19,965	(4,965)
Mosquito control	800	800	813	(13)
Supplies and equipment	500	500	438	62
Total Miscellaneous Activities/Div.	354,600	358,200	543,630	(185,430)
Capital outlay				
Equipment	5,000	5,000	-	5,000
Total Capital Outlay	5,000	5,000	-	5,000
Total General Government	1,012,287	1,016,689	1,092,296	(75,607)
Public safety				
Police department				
Personnel				
Salaries and wages	1,096,717	1,096,717	1,105,422	(8,705)
Overtime	40,000	40,000	-	40,000
Retirement	140,000	140,000	89,185	50,815
Workmen's compensation	171,000	171,000	129,278	41,722
Social security	88,000	88,000	79,476	8,524
Hospitalization	165,000	165,000	121,032	43,968
Life insurance	10,000	10,000	5,857	4,143
Unemployment	200	200	1,065	(865)
Total Personnel	1,710,917	1,710,917	1,531,315	179,602
Operating				
Training/travel	9,000	9,000	14,929	(5,929)
Tuition assistance	15,000	15,000	16,851	(1,851)

**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**  
**(continued)**

**For The Year Ended June 30, 2017**

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Police liability insurance	20,000	20,000	22,050	(2,050)
Auto insurance	14,000	14,000	11,482	2,518
Materials and supplies	20,000	20,000	12,174	7,826
Miscellaneous	2,000	2,000	374	1,626
Equipment	25,000	25,000	28,754	(3,754)
Bank/credit card fees	3,300	3,300	4,998	(1,698)
Subscriptions and Memberships	600	600	600	-
Uniforms	25,000	25,000	18,882	6,118
Applicant screening	3,000	3,000	3,508	(508)
Specialized services	8,500	8,500	6,691	1,809
Equipment maintenance	1,500	1,500	3,936	(2,436)
Traffic control	5,000	5,000	7,249	(2,249)
Residential parking zones	800	800	813	(13)
Auto repair	30,000	30,000	77,668	(47,668)
Building utilities	10,000	10,000	8,636	1,364
Telephone	8,000	8,000	9,407	(1,407)
Wireless communications	8,500	8,500	11,164	(2,664)
Total Operating	209,200	209,200	260,166	(50,966)
↘ Capital outlay				
Vehicle replacement	90,000	107,525	168,695	(61,170)
Building/Facilities	6,000	6,000	-	6,000
Equipment/furnishing	40,000	156,000	214,571	(58,571)
Total Capital Outlay	136,000	269,525	383,266	(113,741)
Total Public Safety	2,056,117	2,189,642	2,174,747	14,895
Public works				
Administration				
Personnel				
Salaries and wages	991,083	991,083	953,616	37,467
Overtime	8,000	8,000	-	8,000
Retirement	124,000	124,000	91,189	32,811
Workmen's compensation	149,000	149,000	51,935	97,065
Social security	74,000	74,000	70,679	3,321
Hospitalization	230,000	230,000	228,564	1,436
Life insurance	10,000	10,000	3,357	6,643
Unemployment	2,000	2,000	165	1,835
Total Personnel	1,588,083	1,588,083	1,399,505	188,578
Operating				
Travel and training	1,000	1,000	127	873
Auto insurance	11,000	11,000	12,967	(1,967)
Materials and supplies	7,000	7,000	4,884	2,116
Miscellaneous	1,000	1,000	671	329
Subscription and memberships	160	160	125	35
Uniforms/safety gear	22,000	22,000	29,600	(7,600)
Lot maintenance (private property)	5,000	5,000	6,867	(1,867)
Security system	1,100	1,100	1,379	(279)
Radio repair	1,000	1,000	922	78
Total Operating	49,260	49,260	57,542	(8,282)
✱ Capital outlay				
Vehicle replacement	150,000	150,000	79,853	70,147
Equipment replacement	44,000	49,000	52,969	(3,969)
Buildings/Facilities/Yard	78,000	78,000	6,500	71,500

**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - GAAP BASIS**  
**GENERAL FUND**  
**(continued)**

**For The Year Ended June 30, 2017**

	Original Budget	As Amended Budget	Actual	Variance - Favorable (Unfavorable)
Total Capital Outlay	272,000	277,000	139,322	137,678
Total Administration	1,909,343	1,914,343	1,596,369	317,974
Street division				
Operating				
Street repair	10,000	10,000	1,002	8,998
Subcontract work	5,000	5,000	895	4,105
Snow/ice removal	25,000	25,000	5,085	19,915
Street light utilities	74,000	74,000	71,156	2,844
Total Operating	114,000	114,000	78,138	35,862
* Capital outlay				
Sidewalk/curb/gutter	15,000	15,000	193,617	(178,617)
Street lights	3,000	3,000	6,177	(3,177)
Road projects	359,000	366,000	295,631	70,369
Total Capital Outlay	377,000	384,000	495,425	(111,425)
Total Street Division	491,000	498,000	573,563	(75,563)
Stormwater Management Division				
Capital outlay				
Stormdrain - Equipment	-	124,333	-	124,333
Total Capital Outlay	-	124,333	-	124,333
Total Stormwater Management Division	-	124,333	-	124,333
Parks division				
Operating				
Tree service	30,000	30,000	37,642	(7,642)
Park supplies	20,000	20,000	13,300	6,700
Park tools and equipment	1,000	1,000	1,894	(894)
Total Operating	51,000	51,000	52,836	(1,836)
* Capital outlay				
Park development	133,660	133,660	153,893	(20,233)
Green Space Beautification	17,500	17,500	18,575	(1,075)
Total Capital Outlay	151,160	151,160	172,468	(21,308)
Total Parks Division	202,160	202,160	225,304	(23,144)
Garage division				
Operating				
Auto repair	30,000	30,000	34,189	(4,189)
Vehicle repair parts	38,000	38,000	33,574	4,426
Garage-tools and equipment	9,000	9,000	5,186	3,814
Garage-consumables	21,000	21,000	18,647	2,353
Tires and tubes	21,000	21,000	32,997	(11,997)
Gas/oil/grease	170,000	170,000	89,929	80,071
Total Garage Division	289,000	289,000	214,522	74,478
Sanitation division				
Operating				
Landfill disposal fees	125,000	125,000	94,151	30,849
Recycling contract	7,000	7,000	31,720	(24,720)
Materials and supplies	1,000	1,000	1,913	(913)
Recycling disposal fees	5,000	5,000	3,857	1,143
Equipment repair	5,000	5,000	9,921	(4,921)
Total Sanitation Division	143,000	143,000	141,562	1,438
Total Public Works	3,034,503	3,170,836	2,751,320	419,516
Total Expenditures	\$ 6,102,907	\$ 6,377,167	\$ 6,018,363	\$ 358,804

**TOWN OF CHEVERLY, MARYLAND**  
**EMPLOYEES' RETIREMENT AND PENSION SYSTEM**

**For The Year Ended June 30, 2017**

**Last Ten Fiscal Years \***

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 200,412	\$ 199,688	\$ 241,826	\$ 234,735	\$ 222,111	\$ 254,586	\$ 248,677	\$ 171,106	\$ 162,428	\$ 183,399
Contributions in relation to the contractually required contribution	200,412	199,688	241,826	234,735	222,111	254,586	248,677	171,106	162,428	183,399
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,942,271	\$ 1,813,428	\$ 2,044,871	\$ 1,897,888	\$ 1,976,769	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	10.32%	11.01%	11.83%	12.37%	11.24%	*	*	*	*	*

\* Amounts presented above were determined as of June 30, 2017. Additional years will be presented as they become available.



**TOWN OF CHEVERLY, MARYLAND**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years \***

<u>Employees' Retirement and Pension System:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionation of the net pension liability	0.0102505%	0.0114733%	0.0098958%
Town's proportionate share of the pension liability	\$ 2,418,508	\$ 2,384,346	\$ 1,756,182
Town's covered employee payroll	\$ 1,942,271	\$ 1,813,428	\$ 2,044,871
Town's proportionate share of the net pension liability as of a percentage of its covered employee payroll	124.52%	131.48%	85.88%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

\* Additional years will be presented as they become available.

**TOWN OF CHEVERLY, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2017**

**BUDGETARY INFORMATION**

Formal budgetary integration is employed as a management control device during the year for the General Fund. The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before coming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

**OTHER DISCLOSURES**

The general government expenditures of \$1,092,296 exceeded the budgeted amount by \$75,607.